

## 1 HOUSE BILL NO. 204

2 INTRODUCED BY KASTEN, BARKUS, MCGEE

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE STATE EXPENDITURE LIMITATION; PROVIDING  
5 THAT THE LIMITATION APPLIES TO GENERAL FUND EXPENDITURES RECOMMENDED BY THE  
6 EXECUTIVE BRANCH AND GENERAL FUND EXPENDITURES ADOPTED BY THE LEGISLATURE;  
7 PROVIDING FOR A GROWTH FACTOR; REQUIRING THE EXECUTIVE BUDGET TO IDENTIFY SEPARATELY  
8 THE PORTION OF THE PROPOSED BUDGET THAT DOES NOT CONFORM TO THE EXPENDITURE  
9 LIMITATION; REQUIRING THE LEGISLATIVE FISCAL ANALYST TO DETERMINE CONFORMITY WITH THE  
10 EXPENDITURE LIMITATION PRIOR TO THE ADOPTION OF THE GENERAL APPROPRIATIONS ACT;  
11 AMENDING SECTIONS 17-7-123, 17-7-131, 17-8-105, AND 17-8-106, MCA; AND PROVIDING AN EFFECTIVE  
12 DATE AND AN APPLICABILITY DATE."

13

14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15

16 **Section 1.** Section 17-7-123, MCA, is amended to read:

17 **"17-7-123. Form of executive budget.** (1) The executive budget submitted to the legislature must set  
18 forth a balanced financial plan for funds subject to appropriation and enterprise funds that transfer profits to the  
19 general fund or to accounts subject to appropriation for each accounting entity and for the state government for  
20 each fiscal year of the ensuing biennium that conforms to the expenditure limitation provided for in 17-8-106. The  
21 base level plan must consist of:

22 (a) a consolidated budget summary setting forth the aggregate figures of the budget in a manner that  
23 shows a balance between the total proposed disbursements and the total anticipated receipts, together with the  
24 other means of financing the budget for each fiscal year of the ensuing biennium, contrasted with the  
25 corresponding figures for the last-completed fiscal year and the fiscal year in progress. The consolidated budget  
26 summary must be supported by explanatory schedules or statements.

27 (b) budget and full-time equivalent personnel position comparisons by agency, program, and  
28 appropriated funds for the current and subsequent biennium;

29 (c) the departmental mission and a statement of goals and objectives for the department;

30 (d) base budget disbursements for the completed fiscal year of the current biennium, estimated

1 comparable disbursements for the current fiscal year, and the proposed present law base budget plus new  
2 proposals, if any, for each department and each program of the department;

3 (e) a statement containing recommendations of the governor for the ensuing biennium by program and  
4 disbursement category, including:

5 (i) explanations of appropriation and revenue measures included in the budget that involve policy  
6 changes;

7 (ii) matters not included as a part of the budget bill but included as a part of the executive budget, such  
8 as the state employee pay plan, programs funded through separate appropriations measures, and other matters  
9 considered necessary for comprehensive public and legislative consideration of the state budget; and

10 (iii) a summary of budget requests that include proposed expenditures on information technology  
11 resources. The summary must include funding, program references, and a decision package reference;

12 (f) a report on:

13 (i) enterprise funds not subject to the requirements of subsections (1)(a) through (1)(e), including  
14 retained earnings and contributed capital, projected operations and charges, and projected fund balances; and

15 (ii) fees and charges in the internal service fund type, including changes in the level of fees and charges,  
16 projected use of the fees and charges, and projected fund balances. Fees and charges in the internal service fund  
17 type must be approved by the legislature in the general appropriations act. Fees and charges in a biennium may  
18 not exceed the level approved by the legislature in the general appropriations act effective for that biennium.

19 (g) any other financial or budgetary material agreed to by the budget director and the legislative fiscal  
20 analyst.

21 (2) The statement of departmental goals and objectives and the schedule for each fund required in  
22 17-7-111(3)(b) of the executive budget are not required to be printed but must be available in the office of budget  
23 and program planning and on the internet.

24 (3) Any proposed expenditures in excess of the limitation provided for in 17-8-106 must be identified  
25 separately from the rest of the budget."

26

27 **Section 2.** Section 17-7-131, MCA, is amended to read:

28 **"17-7-131. Legislative action -- ending fund balance.** (1) The presiding officers of the house of  
29 representatives and of the senate shall promptly refer the budgets and budget bills to the proper committees. The  
30 budget bill for the maintenance of the agencies of state government and the state institutions must be based upon

1 the budget and proposed budget bill submitted at the request of the governor. The legislature may amend the  
 2 proposed budget bill, but it may not amend the proposed budget bill so as to affect either the obligations of the  
 3 state or the payment of any salaries required to be paid by the constitution and laws of the state.

4 (2) Prior to the adoption of the general appropriations act, the legislative fiscal analyst shall determine  
 5 that the budget conforms to the expenditure limitation provided for in 17-8-106. If the budget does not conform  
 6 to the expenditure limitation, the legislature shall:

7 (a) approve a bill stating the amount to be appropriated in excess of the expenditure limitation  
 8 established in 17-8-106(1); or

9 (b) reduce appropriations to conform to the expenditure limitation.

10 ~~(2)~~(3) The adopted budget must be limited so that a positive ending general fund balance exists at the  
 11 end of the biennium for which funds are appropriated."  
 12

13 **Section 3.** Section 17-8-105, MCA, is amended to read:

14 **"17-8-105. Definitions applicable to expenditure limitation.** As used in 17-8-106 and this section, the  
 15 following definitions apply:

16 ~~(1) "Montana total personal income" means the current income from all sources received during a~~  
 17 ~~particular period of time by persons residing within Montana as determined by the United States department of~~  
 18 ~~commerce or its successor agency.~~

19 (1) "Growth factor" means the sum of the inflation rate change plus the population change plus 1.

20 (2) "Inflation rate" means the estimated percent change in the consumer price index for the last calendar  
 21 year of the current biennium to the estimated consumer price index for the last calendar year of the ensuing  
 22 biennium divided by 100. The consumer price index used must be as projected by ~~Wharton econometrics~~ GLOBAL  
 23 INSIGHT OR ITS SUCCESSOR AS A SOURCE OF ECONOMIC DATA FOR MONTANA in the most recent short-term economic  
 24 forecast. The inflation index used must be the consumer price index, U.S. city average, all urban consumers  
 25 (CPI-U), using the 1982-84 base of 100.

26 (3) "Population change" means the estimated percent change in total Montana population from the last  
 27 calendar year of the current biennium to the estimated total Montana population for the last calendar year of the  
 28 ensuing biennium divided by 100. Population estimates used must be based upon the most recent projections  
 29 by ~~the bureau of business and economic research at the university of Montana-Missoula~~ GLOBAL INSIGHT OR ITS  
 30 SUCCESSOR AS A SOURCE OF ECONOMIC DATA FOR MONTANA.

1           ~~(2)(4) (a) "State expenditures for the current biennium" means, subject to subsection (4)(b), the general~~  
 2 ~~fund appropriations, the special revenue fund type appropriations, and the cash portion of the appropriations in~~  
 3 ~~the capital projects fund type, excluding:~~  
 4           ~~—— (a) money received from the federal government;~~  
 5           ~~—— (b) payments of principal and interest on bonded indebtedness;~~  
 6           ~~—— (c) money paid for unemployment or disability insurance benefits;~~  
 7           ~~—— (d) money received from the sale of goods or services provided that the purchase of the goods or~~  
 8 ~~services is discretionary;~~  
 9           ~~—— (e) money paid from permanent endowments, constitutional trusts, or pension funds;~~  
 10           ~~—— (f) proceeds of gifts or bequests made for purposes specified by the donor;~~  
 11           ~~—— (g) money appropriated for tax relief; and~~  
 12           ~~—— (h) funds transferred within state government or used to purchase goods for resale and general fund~~  
 13 ~~transfers, as adopted by the legislature. Appropriations for tax relief, supplemental appropriations, and accounting~~  
 14 ~~changes must be excluded from the biennium budget.~~

15           ~~(b) The term does not include deficiency appropriations referred to in 17-7-301(7).~~

16           ~~(5) (a) "State expenditures for the ensuing biennium" means the recommended general fund~~  
 17 ~~appropriations and general fund transfers. Appropriations for tax relief and amounts related to accounting~~  
 18 ~~changes must be excluded from the biennium budget.~~

19           ~~(b) The term does not include deficiency appropriations referred to in 17-7-301(7)."~~

20

21           **Section 4.** Section 17-8-106, MCA, is amended to read:

22           **"17-8-106. Expenditure limitation -- exception.** (1) Except as provided in subsection (2), the state  
 23 expenditures for a the ensuing biennium may not exceed the state expenditures for the ~~preceding current~~  
 24 ~~biennium plus the product of the state expenditures for the preceding biennium and multiplied by the growth~~  
 25 ~~percentage factor. The growth percentage is the percentage difference between the average Montana total~~  
 26 ~~personal income for the 3 calendar years immediately preceding the next biennium and the average Montana~~  
 27 ~~total personal income for the 3 calendar years immediately preceding the current biennium.~~

28           (2) The legislature may appropriate funds in excess of this limit ~~from the reserve account~~ if:

29           ~~—— (a) the governor declares that an emergency exists; and~~

30           ~~—— (b) two-thirds a majority of the members of each house approve a bill stating the amount to be spent~~

1 ~~appropriated~~ in excess of the ~~expenditures~~ expenditure limitation established in subsection (1), ~~the source of the~~  
2 ~~excess revenue to be spent, and an intention to exceed the limitation.~~

3 ~~—— (3) Expenditures may exceed the expenditures limitation only for the year or years for which an~~  
4 ~~emergency has been declared.~~

5 ~~(4)~~(3) The legislature is not required to appropriate the full amount allowed in any year under subsection  
6 (1)."

7

8 NEW SECTION. Section 5. Effective date. [This act] is effective July 1, 2007.

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10 NEW SECTION. Section 6. Applicability. [This act] applies to budgets prepared and adopted after July  
11 1, 2007.

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